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09/550,964	04/17/2000	Peter R Wurman	UOM0182PUS	1817

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EXAMINER

PATEL, JAGDISH

ART UNIT	PAPER NUMBER
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3624

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BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Application Number: 09/550,964
Filing Date: April 17, 2000
Appellant(s): WURMAN ET AL.

MAILED

AUG 26 2004

GROUP 3600

David R. Syrowik
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed June 03, 2004.

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(1) *Real Party in Interest*

A statement identifying the real party in interest is contained in the brief.

(2) *Related Appeals and Interferences*

A statement identifying the related appeals and interferences which will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief.

(3) *Status of Claims*

The statement of the status of the claims contained in the brief is correct. However, in further consideration of the appellant's arguments, rejection of claims 1-20 under 35 USC 112 (second) is withdrawn. Therefore, claims 1-9 stand rejected under 35 USC 101 and Claims 19 and 20 stand objected as being allowable if written in independent form.

(4) *Status of Amendments After Final*

No amendment after final has been filed.

(5) *Summary of Invention*

The summary of invention contained in the brief is correct.

(6) *Issues*

The appellant's statement of the issues in the brief is correct. Please note that since rejection of claims 1-20 under

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35 USC 112 (second) is withdrawn, and claims 19 and 20 have been objected as being allowable if written in independent form, the issues under appeal is whether method claims 1-9 are directed to statutory method under 35 U.S.C. §101.

(7) Grouping of Claims

Group I: claims 1-5 and 7-9 stand or fall together.

Group II: Claims 6, 19 and 20 stand or fall together.

Group III: Claims 10-18 stand or fall together.

As noted above only claims 1-9 stand rejected. Accordingly group I include claims 1-5 and 7-9 and Group II contain claim 6. Group III is not considered in the examiner's answer because these claims have been considered allowable. Group II now only include claim 6 since claims 19 and 20 have been considered allowable in their independent form. Further analysis presented in this paper is based upon this new grouping of claims.

(8) Claims Appealed

The copy of the appealed claims contained in the Appendix to the brief is correct.

(9) Prior Art of Record

No prior art is relied upon by the examiner in the rejection of the claims under appeal.

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(10) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claims 1-9 stand rejected under 35 U.S.C. §101. This rejection is set forth in a prior Office Action mailed on February 10, 2004 and reproduced herein.

Claims 1-9 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter. (not within technological arts).

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

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Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. In *re Toma* at 857.

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In Toma, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in State Street Bank & Trust Co. v. Signature Financial Group, Inc. never addressed this prong of the test. In State Street Bank & Trust Co., the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See State Street Bank & Trust Co. at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See State Street Bank & Trust Co. at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, State Street abolished the Freeman-Walter-Abele test used in Toma. However, State Street never addressed the second part of the analysis, i.e., the "technological arts" test established in Toma because the invention in State Street (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the Toma test. This

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dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See Ex parte Bowman, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, Claims 1-9 have no connection to the technological arts. Note that the recitation "over a communication network" has not been given patentable weight because the recitation occurs in the preamble. A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See In re Hirao, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and Kropa v. Robie, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951). In the instant case none of the steps indicate any connection to a communication network. The step of transmitting an interim allocation of bundles in steps (d) and (g) could be performed manually by a person physically delivering the results of the calculations in the form of a report or a written document to the bidders which may be performed by a courier service. The step of receiving bids at a computer site is manually receiving at the computer site (i.e. location) from where the bids may entered in computer memory. Note that this analysis also applies to step (e) step of receiving data at a computer site. Therefore, the claims are directed towards non-statutory subject matter. To overcome this rejection the Examiner recommends that the applicant amend the claims to clearly recite which of the steps are being performed within the technological arts, such as

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clearly identifying steps which are performed over a communication network and/or those performed by a server or a computer.

(11) Response to Argument

As previously noted, the examiner has withdrawn rejection of claims 1-20 under 35 U.S.C. §112. Accordingly, the appellant's argument (p.5 first paragraph under section VIII. Argument) concerning rejection of 35 U.S.C. §112 has been rendered moot.

Appellant's argument (see p.5 second paragraph under section VIII. Argument) concerning the limitation "over a communication network" is acknowledged. The recitation "over a communication network" has not been given patentable weight because the recitation occurs only in the preamble. A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951). However, as admitted by the Appellant, the recitation "over a communication network" is not a "positive limitation to the claimed invention,

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but is merely a statement describing a purpose or intended use for the claimed invention, which is clearly permissible". (see p.5 second paragraph under section VIII. Argument).

Based upon the foregoing analysis, no patentable weight is accorded to the limitation "over a communication network" and therefore it would not render the claimed subject matter within the technological art.

The appellant's statement (p. 5 bottom paragraph) regarding the implementation of the language "over a communication network" as being added to each independent claim as being added after a second office action is noted.

The examiner agrees with Appellant's argument (see p. 6 first paragraph) that as a part of the proper legal analysis for determining statutory subject matter under 35 U.S.C. §101 one needs to "identify and understand any practical application asserted for the invention. That is, whether the invention has real-world value within technological arts." It is noted by the examiner that analysis presented herein is consistent with the requirement that to be statutory under 35 U.S.C. §101 a claimed invention must be within technological art.

The appellant's argument (p. 6 paragraph 2) that "the title, the technical field and objects of the present invention" all call for such a method for conducting a progressive, price

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driven combinatorial auction of items over a communication network is not persuasive. Refer to discussion of limitation "over a communication network" in foregoing paragraph.

Group I: claims 1-5 and 7-9

The Appellant argues (see p.6 third paragraph) that the claimed invention is within technological art because each of the receiving steps of claim 1 are performed at "a computer site" (emphasis added) which is not a (physical) location as asserted by the examiner but rather a programmed auction computer. However, the Appellant has not defined the term "computer site" explicitly and with "reasonable clarity, deliberateness, and precision". The Appellant merely refers to Figure 1 as illustrating the computer site without any explicit definition of the term "computer site". Figure 1, on the other shows bidder computers and an auction computer (engine) connected via a communication network. The Appellant recites claim 6 which further identifies the computer site as a "web site" which itself is defined as the collection of Web pages stored on a server and accessible via a network. Clearly the Appellant has failed to provide a "reasonable clarity, deliberateness, and precision" a special meaning to the term "computer site" in the disclosure.

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On page 6 last paragraph, the Appellant has provided the definition of the term "Web site" as being a technological term, which the examiner acknowledges and agrees with. However, note that claims 1-5 and 7-9 do not recite the computer site as a "Web site" and therefore this definition is not relevant to analysis of these claims.

Whereas the claims are given the broadest reasonable interpretation consistent with the specification, it is not proper to read limitations appearing in the specification into the claim when these limitations are not recited in the claim. *See In re Paulsen*, 30 F.3d 1475, 1480, 31 USPQ2d 1671, 1674 (Fed. Cir. 1994); *Intervet America Inc. v. Kee-Vet Lab. Inc.*, 887 F.2d 1050, 1053, 12USPQ2d 1474, 1476 (Fed. Cir. 1989)

Words of the claim are given their ordinary and customary meaning, unless it appears from the written description that they were used differently by the Appellant. When an Applicant chooses to be his or her own lexicographer and defines terms with special meaning, he or she must set out a special definition explicitly and with "reasonable clarity, deliberateness, and precision" in the disclosure to give one of ordinary skill in the art notice of the change. *see Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1325, 63 USPQ2d 1374, 1381 (Fed. Cir. 2002)), *Rexnord Corp. v. Laitram Corp.* 274

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F.3d 1336, 1342, 60 USPQ2d 1851, 1854 (Fed. Cir. 2001) and MPEP 2111.01. Pursuant to 35 U.S.C. §112 (second) "[I]t is Applicant's burden to precisely define the invention, and not the [Examiner's]." *In re Morris*, 127 *F.3d 1048, 1056, 44 USPQ2d 1023, 1029 (Fed. Cir. 1997)*. Therefore, it would not be proper for the examiner to give words of the claim special meaning when no such special meaning has been defined by the Applicant in the written description.

Based upon the foregoing analysis, the examiner respectfully asserts that the interpretation of the term "computer site" as a location of a computer and further analysis based upon this interpretation in rejection of claims 1-5 and 7-9 under 35 U.S.C. §101 is proper.

Appellant's alleges that (p. 7 third paragraph) that the examiner has failed to argue or suggest that claims 1-9 have failed to produce a useful, concrete and tangible result as a part of the test for statutory subject matter of 35 U.S.C. §101. The examiner states that the present analysis is directed only to the statutory requirement that the claimed invention must be within the technological art. The examiner has not rejected the subject claims under the aforementioned first requirement of 35 U.S.C. §101.

Group II: claim 6

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Regarding independent claim 6, the recitation that the computer site is a web site does not overcome the rejection of the claim under 35 U.S.C. §101 because it only recites a trivial use of the technology. In this instance, the invention is a method for conducting a progressive, price driven combinatorial auction of items over a communication network. However, none of the substantive and critical process steps of the invention are performed without any technological implementation, i.e. manually as explained in detail in foregoing analysis. For example, none of the process steps (b) through (i) which include critical steps of conducting a progressive, price-driven, combinatorial auction of items such as calculating an interim allocation (step b)), calculating an interim winning price (step (c)), and calculating a revised, interim allocation (step (f)), and declaring the last revised, interim allocation (step (i)) are all performed manually as broadly interpreted. (refer to claims 19 and 20 where at least one of the calculating steps are performed using a server.) Merely receiving bids at the web page would only constitute a trivial use of technological art. The courts have ruled that the claim must be evaluated as a whole for what it is. In this instance the question is whether the claimed invention is within technological environment in a meaningful way. Since none of the inventive steps, which are

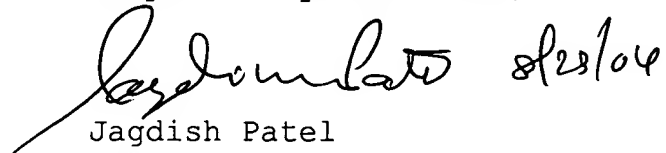
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most essential to practice the claimed invention, are performed without use of technology (i.e. manually) the use of technology is only non-trivial. In re Sarkar, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) (In the final analysis under 101, the claimed invention, as a whole, must be evaluated for what it is.") (quoted with approval in Abele, 684 F.2d at 907, 214 USPQ at 687). See also In re Johnson, 589 F.2d 1070, 1077, 200 USPQ 199, 206 (CCPA 1978) ("form of the claim is often an exercise in drafting").

Claim 6 when analyzed as a whole for what it is, recites technology only in trivial manner and therefore does not fall within technological art. Therefore, rejection of claim 6 is maintained.

For the above reasons, it is believed that the rejection claims 1-9 be sustained.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jagdish Patel', followed by the date '8/23/04'.

Jagdish Patel

Primary Examiner, Art Unit 3624

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Conferees

John Weiss

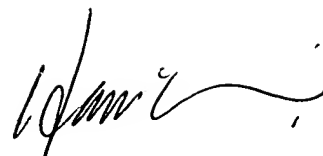
JW 8-23-04

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